

Four Forest Restoration Initiative (4FRI)

Contract Transfer Web Conference

September 13, 2013

Speakers

Affiliation

- | | |
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| • Melanie Jacot | AT&T Connect Event Services Moderator |
| • Katherine Sánchez Meador | 4FRI acting public affairs officer |
| • Cal Joyner | Southwestern Regional Forester |
| • Mike Williams | Kaibab National Forest Supervisor |
| • Jason Rosamond | Good Earth Power Global CEO |
| • Marlin Johnson | Pioneer Forest Products |
| • Pascal Berlioux | 4FRI Stakeholder Group Co-Chair |
| • Gilbert Zepeda | SW Deputy Regional Forester |
| • Roberta Buskirk | SW Region Director of Acquisition Management |

Melanie: I would now like to turn the conference over to Katherine Sánchez Meador. Please go ahead.

Katherine: Thank you, Melanie. I'm Katherine Sánchez Meador the Acting Public Affairs Officer for the Four Forest Restoration Initiative. I would like to welcome everyone who has joined our web conference. We have six presenters on our panel today. Each will be giving a brief statement followed by a 45-minute question and answer session.

At this time, I will introduce Cal Joyner the Southwestern Regional Forester, our first speaker. Cal.

Cal: Thank you. I'm pleased to be here today and honored to be the new Southwestern Regional Forester. I've been here a couple months and am excited to now be involved in a project that will help restore Arizona forests far into the

future. I look forward to continuing the collaborative work being done to restore fire [adaptive 00:00:56] ecosystems throughout the region.

We are here today because a company has proposed to purchase Pioneer Forest Products and to share with you the Forest Services' decision whether to recognize the transfer of the first phase of the Four Forest Restoration Initiative contract. The decision to recognize the transfer of assets is based upon an assessment to determine if the new company is sufficiently sound both financially and technically and has the skill sets required to successfully perform the existing contract.

This stewardship contract will treat approximately 300,000 acres of land over a 10-year period of time. This is a milestone event for 4FRI and the opportunity to effect positive change has never been greater. I believe through continued support and commitment we will move ahead successfully. There is no other project in this country that is attempting restoration at such a fast pace and such a large scale. 4FRI is clearly leading the way.

Now before we announce our decision on a transfer of the contract I want to acknowledge the time and the efforts of many of our partners. I want to first recognize the work done by the collaborative stakeholder group. I look forward to continued collaboration with this dedicated group of people. We truly believe in the collaborative process and expect better decisions and outcomes in the long run.

We also appreciate the collaborative spirit the state of Arizona and local governments have shown in supporting our mutual efforts to improve forest health and increase the resilience of the land we have been entrusted to manage together. We also appreciate Pioneer Forest Products and their very strong efforts.

I would like to thank our 4FRI team from the Forest Service for their hard work and dedication to this project. Finally, I want to thank everyone who has joined on the webcast. I know you are all eagerly awaiting the contracts transfer decision. Now I'd like to introduce Mike Williams, Kaibab National Forest Supervisor who will share with you the Forest Services' decision to transfer the 4Fri contract.

Mike: Thanks, Cal. Back in May, Pioneer Forest Products notified the Forest Service of the intent to sell their company to another company interested in assuming the responsibility for their stewardship contract which was awarded to Pioneer in May of 2012. The Forest Service does not have the authority to either approve or disapprove the sale of one company to another. It does however, have the

responsibility and authority via Federal Acquisition Regulations to approve or disapprove the transfer of a contract from one company to another.

A novation agreement is that instrument that the Forest Service uses to authorize transfer of the contract and to administer and enforce the terms of the original contract. In reviewing the novation agreement between Pioneer and the new company, the Forest Service determined that the new company is both financially and technically able to perform and fulfill the terms of the original contract.

We're pleased today to be able to announce that the novation agreement has been approved and executed between Pioneer and Good Earth Power AZ, LLC. Good Earth has assumed the existing contracts and the Forest Service will be now working very closely with them to implement the terms and conditions of the contract.

Jason Rosamond, CEO of Good Earth is here with us today and will share some information about the company with you very shortly. The four of us Northern Arizona Forest Supervisors will be asking our Contracting Officer to issue additional task orders to Good Earth within the next few weeks to implement the contract. Very shortly we'll have awarded orders that treat approximately 15,000 acres across the four forests.

We look forward to working with Good Earth Power to implement this contract for large scale, landscape scale restoration and to all the benefits that this will bring to the forest and the communities of Northern Arizona. Now we'll turn to Jason for some comments.

Jason: Well thank you very much, Mike and Cal and everyone that's on the call for the opportunity to speak to you about this exciting initiative.

Katherine: Stand by.

Jason: Sorry, I was just asked to move seats so that you could all hear me. Good Earth Power Arizona is very excited about the 4FRI projects and we, as an organization, are a global organization with a main focus on sustainable developments, and by sustainable developments we mean focusing on opportunities to help preserve the environment while driving local economic generation within local communities and ensuring their [inaudible 00:05:44] is financially viable so that it becomes a project that lasts for legacies to come.

When we were first approached with the 4FRI projects we decided to take an internal review because generally we focus on communities that are outside the United States that are in great need of development, but we wanted to

investigate whether or not the same business model that we approach internationally could be developed locally. We, after months of review, have determined in working in collaborating with Pioneer and the Forest Service and a number of other organizations that this indeed is something that we wanted to focus on as one of our core projects worldwide.

The three core elements, from our perspective, first is the forest. This is the preservation of the environment and to make sure that we are working hand in hand with the Forest Service to complete the main objectives of the 4FRI projects which is to protect the forests, [inaudible 00:06:41], make it go back to its more natural state, prevent, where possible, hazardous forest fires, and to help natural wildlife thrive within the four forests here in Arizona.

We are very excited by the opportunity to do that and we've met a lot of people at the Forest Service who have been very helpful in guiding us on whether or not this was a project we wanted to take on. The second thing was on the community side, our business model is slightly different than a lot of people. We focus on making sure that local communities are the ones that benefit from any projects we take on and that involves a number of things.

First of all, we will hire locally. We want to ensure that wherever possible we will use local capacity to deliver on the project, whether that's local existing forestry operations or just finding local individuals that we can train in cooperation with local colleges, community colleges, etc. to help us deliver on the task orders. Second is as an organization we give 50% of our profits worldwide back to the communities in which we work.

Now, I want to be very careful here and just say this will definitely apply to this project, but this is not something that we give in cash. We generally support healthcare, education, small to medium size enterprise, etc. for local communities, and work hand in hand with the Forest Service, with local government, with [regional 00:08:16] government, state government to identify which communities are in greatest need of support within the area to help deliver change toward an economic benefit for them. Of course, they will also benefit from the fact that we will, through the treatment of the forest, reduce fire hazards.

The third component is viability. In order for this to be a sustainable project and leave a lasting impression for legacy, a lasting legacy for the next generation we need to make sure it's financially viable. Before we took on the project, we reviewed every last element you could possibly imagine of what the contract entailed, ranging from looking at local, regional, and national buyers of product to all the local logging capacity to local billing capacity, regional billing capacity, what the logistics were, and after all that we determined that through a three

phase program we believe we can actually an optimized use or utilization of the 4FRI project to deliver on components one and two, which is protection of the environment and delivering economic generation for the community.

The first phase, we'll be using all local capacity. We'll bring in a thin management layer of very experienced foresters from one of the largest forest management companies in the United States who will help us build up capacity locally. We will work with local logging operators, local mills, etc. to drive the initial task orders.

In phase two, we will be building a mill and at present, that mill will be in Winslow, Arizona. We're looking a number of different sites at the moment. We will stick with Winslow, Arizona unless the Forest Service tells us we should be doing otherwise. I just want to make that crystal clear. There are some other mills in the area that we will be making investments in to upgrade their capacity and capabilities, so that we can reduce our overall logistics cost. Everyone should be aware that we will be talking to quite a number of mills.

We are also planning on buying a number of pellet mills and locating them throughout the four forests. I know that there's an existing pellet mill in operation. We will definitely be talking to them, so I don't want them to worry. We will be using them first and foremost for their region, but for areas further afield because it's quite a large area we will be bringing in some additional pellet mills.

As phase three we will be using our own technology, and this is how we first found out about this project, to drive next generation biofuels. I want to be crystal clear, the project does not rely at all on the financial viability of us converting any of the slash or biomass to biofuels, however; because it's our technology we know it inside and out. We are confident that we will actually be able to thrive and improve the financial viability of the project through the biofuel creation. That will be through itself a quite long process where we'll have to first build a [inaudible 00:11:29] power plant using our technology and then we'll add on a number of additional facilities which will then convert the biomass through to biodiesel and jet fuel.

We're very excited about the project. We're a very open organization. We encourage you to ask as many questions as you like. Our door's open. We think this thing can actually change the entire region and we hope it becomes something that is a model for the entire country to look at and a different way of doing things. I just want to mention one other thing which is on the task orders. We have already had some additional task orders issued to us. They were signed yesterday and we're looking to be fully mobilized, almost doing task orders, before the fifth of October and fully mobilized on the additional task orders that

have been coming to us within six to eight weeks. We're ready to go, so that's it for me.

Katherine: Thank you, Jason. I'd like to invite Marlin Johnson to make a statement.

Marlin: OK. Well on behalf of Pioneer, we've been over a decade designing a very modern wood processing facility to process small logs into high value finished products. We've been over four years of working in Arizona to acquire the 4FRI contracts to provide a supply of timber with a planned facility in Winslow. Unfortunately, Pioneer's financial advisor had been using the model where USDA Forest Service contract was to be the collateral for development loans.

Use of this basic strategy was common in the venture capital business, but it changed gradually in the last few years and is now completely evaporated with the change in the economy. Now hard equity is required and none of the dozen or so financing proposals had that ability, leading to our frustrations as one after another of these proposals has backed out.

Our goal in this has always been to bring to the U.S. the latest in wood processing technology from around the world, provide an economical way to thin unhealthy and overcrowded forests, provide meaningful employment to hundreds of people in an area much in need of such employment, and finally possibly provide some financial benefits for shareholders. Some months back when we realized that financing in an appropriate time frame was unlikely, we put out the word that if someone wanted to finance this under their own name and management, Pioneer would willingly sell our interest for a reasonable fee.

We realized that by doing this, we could still accomplish most of the original goals for the benefit of the communities and forests of Northern Arizona as what is embodied in the goals above. Today, Pioneer was very happy to see Good Earth Power show an interest in taking over the 4FRI contract. The original team is leaving this original concept tied to 4FRI. We feel very good leaving 4FRI in good hands with Good Earth Power. We have a great sense of accomplishment seeing that our role in helping communities in Northern Arizona will come to fruition.

Katherine: Thank you, Marlin. At this point I'd like to introduce Pascal Berlioux who is the 4Fri of State Culture Group co-chair with a statement.

Pascal: Good afternoon. My name is Pascal Berlioux I am the Executive Director of the Eastern Arizona Counties Organization that includes Apache County, Gila County, [Wahan 00:15:04] County, [Greenlee 00:15:05] County, and Navajo County. I am not speaking today in this capacity, but as the [Alternating 00:15:12] in first co-chair of the 4Fri Stakeholders Collaborate Group.

The 4FRI Stakeholders Collaborate Group is keenly interested in seeing work on the ground progress per the [inaudible 00:15:26] of the 4FRI contract, therefore the 4FRI Stakeholders Collaborate Group acknowledges the decision being made by the Forest Service on the issue of the 4FRI contract novation. The 4FRI Stakeholders Collaborate Group is looking forward to meeting with the new contractor at their earliest convenience and to supporting realistic efforts to [inaudible 00:15:51] implementation rights to complete 300,000 acres of forest treatment within the term of the contract.

Members of the 4FRI Stakeholders Collaborate Group have invested enormous resources and dedication over the last decade to create [inaudible 00:16:12], and in collaboration with the Forest Service to make it the largest forest restoration program in the nation. The stakeholders intend to continue performing their critical holding [inaudible 00:16:25] by monitoring progress of forest restoration treatment on the ground, overseeing the monitoring and the adaptive management plan for the final environmental impact statement, participating in the adaptive management process over the life of the contract, and ensuring scientific, social, and economic accountability by the Forest Service, the contractor, and the stakeholders themselves.

The composition and the charter of the 4FRI Stakeholders Collaborate Group can be found at www.4fri.org. Thank you.

Katherine: Thank you, Pascal. I'd like to now introduce Gilbert Zepeda the Southwestern Deputy Regional Forester who will [inaudible 00:17:15].

Gilbert: Good afternoon. Again, my name is Gilbert Zepeda Deputy Regional Forester for the Southwestern Region and it's been my pleasure to be a part of 4FRI as it's had its origins and as it continues on its path. Six and a half years ago the Southwestern Region began a dialogue with a broad set of stakeholders that [inaudible 00:17:39] the challenges that we faced at accelerating the restoration of forest in Northern Arizona.

In the beginning, it'd be fair to say that there were doubts, even skepticism whether we could overcome these challenges. Likewise there was apprehension of what might be unintended consequences of even attempting to treat such a large scale landscape at the scale and pace commensurate with the threats that we were seeing of uncharacteristic wild fires and large insect and disease outbreaks.

As this dialogue continued, as it matured, two things became evident. There may have been more, but two were readily clear and evident. The first was that the zone of agreement across this community of stakeholders was much more vast than those areas that we traditionally and typically disagreed on, drew lines in

the sand over, and thought about. It became clear that the time was right for all of us to roll up our sleeves and sit down at the table and collaboratively try to find a way through these issues, not ignore them, not set them aside, but work through them collaboratively and move on to where we needed to be.

The second was that it was time to go big or go home. While we have been treating 1,000 acres here and 10,000 acres there, it was clear that while we were protecting small patches and pockets relative to the large landscape and protected those areas this was not going to address the frequency, the intensity, and the size of the disturbances that we were witnessing today. It was only by deciding to change that paradigm, to work at a large scale, to work at a pace, again that would address the frequency, the size, and the intensity that we were experiencing that was going to make a difference.

To the casual observer and even amongst us as stakeholders we forget sometimes that what we're attempting to do and what we will succeed in doing is not an easy thing. If it were an easy thing it would already have been done. If the chapters had been written about a guide on how to accomplish this as if there was a clear path to move forward, there would be a lot more people, a lot more efforts attempting to do this and cross the finish line, but that's not the case.

While all of us as individual stakeholders may have our own words to describe our final objective, we have a common shared vision of restoring Northern Arizona's forests to a healthier and more resilient condition and the ecological, social, and economic manifest that this brings to the communities across this landscape of Northern Arizona and to the whole state of Arizona.

I want to thank Pioneer for their faith, their trust, their efforts, their tenacity to stick with us in the belief that this is a worthwhile and meritorious thing to do, and bringing Good Earth Power to us in this new chapter of forthright. We welcome Jason and the Good Earth Power family. We look forward to a long and lasting and productive relationship and the future success, and it will be successful. The restoration of these forests to the benefit of the communities of Arizona.

With that, I'll turn it back to our moderator to help us engage with all of you and addressing your questions. Thank you.

Katherine: Thank you, Gilbert. At this point we will have 45 minutes for questions and answers. I would like to make sure that the folks who dialed in while on the web as participants know that we did have a few people show up here at our location, and so if I have questions from the folks that are here I will fold them

into what our moderator with AT&T does with our queue. If anybody here in the room has a question if you'll please raise your hand. Then I'll fold you in ...

All right, Melanie I'm going to turn this over to you for the question and answer session.

Melanie: If you would like to ask a question please dial *1 to place yourself into the question queue. You will be notified when your line is unmuted. Please then, state your name, affiliation, and your question.

Katherine: Do we have anybody with questions? Looks like I have a couple. I can see a couple of hands up.

Melanie: We do have some questions in the queue. Please go ahead, caller. State your name, affiliation, and your question.

Brandon: Hi, this is Brandon Loomis with the Arizona Republic. I am wondering, and I guess this is for everyone, but whether this contract transfer retains the same business strategy and mix of products, whether it's still involves forest components going to furniture parts and fuels, and also whether the mill you're discussing is of the same magnitude that was discussed before about \$230 or so million and whether you have financing for that?

Katherine: Thank you for your question. I'm going to direct that to Roberta Buskirk the Southwestern Region Director of Acquisition Management. Roberta.

Roberta: To answer your first part of the question, the terms and conditions of the existing contract from Pioneer will remain the same. If there are any proposed changes to that contract then it would still go through the standard modification request to the Contracting Officer. In regard to the second part of the question, I'm going to pass that over to Jason.

Jason: Thank you, Roberta. In terms of the product mix, it will be relatively similar, so we'll go all the way through to furniture. We'll start with [chich 00:25:07] pellets, boards. Then when we construct our own mill, and we will be constructing our own mill, but it will not cost us \$230 million. Yes we have the financing for our mill. Then we'll be moving up to a higher grade of board as well as finger joints. It's previously announced by Pioneer and as I mentioned earlier, we will be building our own biofuels capability and that will be two to three years now. That's how long it will take us to build our plants and the conversion into biofuels.

You'll see a slow and steady progression from phase one to phase two to phase three that I mentioned earlier as we develop those facilities.

Katherine: Thank you, Jason. We're ready for the next question.

Melanie: OK, caller please state your name, affiliation, and your question.

Michael: My name is Michael [Taru 00:26:08] and thank you for an excellent presentation today. I'm pleased to be on board for the webinar. I publish Taru Talk an industrial news service. My question has to do with the technology that Good Earth Power will anticipate using for conversion to the biofuels. Can you speak to that just a bit, please?

Jason: Yeah, thank you very much, Michael. The technology is it's clean green technology. Essentially what it allows us to do is take any organic waste material or biomass and convert it into a synthetic gas through a three stage reforming process. Effectively what's happening is you are heating, in the absence of oxygen, the biomass to very high temperatures exceeding 1000° Celsius and that's, because there's no oxygen means it cannot burn and when it's heated to those high temperatures it converts at the molecular level into a synthetic gas or blue gas.

It goes through a cleaning process, which is fairly complicated but the short form is that it's cooled down and scrubbed with cleaner so that it becomes a 99.999% pure hydrogen gas. That synthetic gas is then what we use to convert into a biofuel through a number of other technologies sticking onto the back end.

The technology has been proven to date already. Sorry, the synthetic gas technology has been proven at a large scale already. Each of the conversions has been proven at a small scale, and so what we're doing with this project is proving that you can actually generate, at a very large scale, biofuels that are economically viable. We're very excited about the opportunity to do it here in a nice safe wonderful location called Arizona.

Katherine: We're ready for the next question, Melanie.

Melanie: Thank you. We have another question here. Please go ahead. State your name, affiliation, and your question.

Jim: Yes, Jim Peters with the Evergreen Foundation and [Evergreen 00:28:23] Magazine. Assuming litigation, will the federal government make Good Earth whole? In other words, will they reimburse their cap-X cost? The second part of this question, are there diameter limits in the thinnings that are going to be done?

Cal: I think we're talking about ... are you referring to the ... Mike can you help?

Mike: [Inaudible 00:28:56]?

Cal: Cancellation ceiling.

Katherine: Just for clarification, is that what you're referring to?

Jim: I'm sorry I didn't hear.

Katherine: The cancellation [ceiling 00:29:07]? Could you clarify? Are you referring to the cancellation ceiling?

Jim: Yes.

Katherine: OK. Do I have somebody that would like to ... Roberta Buskirk will answer that.

Roberta: Well in reference to the cancellation ceiling, Pioneer has waived that cancellation ceiling and so there is not a cancellation ceiling currently on the contract. [As far as the diameter cap 00:29:36] ...

Mike: Sorry, I can answer the question on the diameter cap. No there is not a diameter cap in prescription with what we are preparing here for this contract.

Katherine: OK. Thank you. We're ready for the next question Melanie.

Melanie: Please go ahead caller and state your name, affiliation, and your question.

Katherine: Do we have a question on the line?

Melanie: Please go ahead caller. Your line is open.

Katherine: Let's go ahead and go to the next question Melanie.

Melanie: Please go ahead caller. State your name, affiliation, and your question.

Daniel: Thank you. My name is Daniel Patterson. I'm calling from Tucson. I'm an ecologists and the Southwest Director of Public Employees for Environmental Responsibility. A quick look at the background information on Good Earth Power shows that they are based in the, according to their website, the Sultanate of Oman in the Nation of Africa. Does Good Earth Power have any experience working on forest restoration in the American Southwest?

Katherine: Thank you. Jason.

Jason: Thank you, Daniel. We do not have experience as Good Earth Power and work in the American Southwest and so what we've done is we've brought on one of the largest timber management companies, forest management companies in the United States with extensive experience in the Southwest who will be coming in and overseeing the operations locally. Historically, our operations have been international forest management primarily in Africa.

Katherine: Thank you. Melanie, we're ready for the next question.

Melanie: Please go ahead caller. State your name, affiliation, and your question.

Jerry: Hello, this is Jerry Nabours. I am the Mayor of Flagstaff. I'm wondering, Jason, are you familiar with the Flagstaff Watershed Protection Plan and is that involved in any way in your plans?

Jason: Thank you very much, Mr. Mayor. We are not familiar, I personally am not familiar, but I'm sure the people on my team are familiar with the program. Marlin Johnson, for example, is here and it will definitely be taken into consideration.

Katherine: Thank you, Jason. Do I have any panel members that would like to add or Earl?

Earl: I'm [inaudible 00:32:42] my name is Earl Stewart. I'm the Forest Supervisor for the Coconino National Forest and on behalf of your question Mayor Nabours, we look forward to working with the contractors on a multitude of different activities in forest restoration that will include or could include components of FWPP or the Flagstaff Watershed Protection Project and we appreciate the ongoing interest and assistance from the city and the community and the bondages to provide resiliency within the forest in and around Flagstaff and the water supplies. Thank you, sir.

Katherine: Thank you, Earl. We're ready for our next question, Melanie.

Melanie: Please go ahead caller. State your name, affiliation, and your question.

Brandon: Hi, it's Brandon Loomis again from the Arizona Republic. I'm wondering if the 15,000 acres of new task or yet to come task orders, if you can give a time frame for when those would be completed or a range for them. Also, I'm assuming that this contract is still expected to be completed within 10 years. If you could just comment on that.

Roberta: Thank you for your question. This is Roberta Buskirk again. The remaining task orders are expected to be issued within the next two weeks and yes the period of performance is going to remain the same at a 10-year period.

Katherine: Thank you. We're ready for the next question.

Melanie: Please go ahead. State your name, affiliation, and your question.

Felicia: Hi, this is Felicia at the Associated Press over in Flagstaff and I was just wondering if you guys have seen any sort of downfalls to having a project behind schedule right now? I know the last sort of annual report said you're a year behind schedule. We haven't had any huge and catastrophic fires on Forest Service property this year, but wondering if anybody can comment on that if there's any downfall into having it behind schedule?

Katherine: Thank you. Mike Williams.

Mike: Mike Williams, Forest Supervisor Kaibab National Forest. Much as we'd like to be further ahead with our implementation schedule it is what it is and we'll be moving ahead rapidly to implement the task orders as you've heard here just recently. The objective, the mission before us is to get that done as quickly as we can and working with Good Earth and we expect exactly as Jason has said today, that they'll proceed and we'll move ahead as quickly as we can.

Katherine: Thank you. We're ready for the next question.

Melanie: Please go ahead caller. State your name, affiliation, and your question.

Daniel: Yeah, Daniel Patterson again here with Public Employees for Environmental Responsibility. This is a question to the Forest Service. Many stakeholders have raised questions about transparency of the movement of this contract from Pioneer to, we're just finding out today, to Good Earth Power. Can you tell us exactly what the process was that the Forest Service followed to allow the transfer of the contract from Pioneer to the firm you're talking about today, Good Earth Power and address the transparency concerns that people have raised, an I'm sure you're aware of?

Katherine: We'll have Roberta Buskirk answer your question.

Roberta: As part of that review we had to make sure that the company was technically and financially sound along with the skill sets necessary to perform under the contract. That decision rests solely on the Contracting Officer, however; with the help of others in regard to the review, the package was reviewed not only by the Contracting Officer but by the Director, myself, and then it also went up to the Washington office at our WOAQM Procurement and Policy Branch and it was reviewed for legal sufficiency by our OTC in the Washington office.

Katherine: Thank you. Next question.

Melanie: Please go ahead. State your name, affiliation, and your question.

Brandon: Hi, this is Brandon Loomis with the Arizona Republic. I wanted to revisit my last question about the term or time frame for the task orders that will be issued in the next couple weeks. For Roberta, my question was what's the time frame in which they are expected to be completed? The work, over the next few weeks, or I mean does it go out a couple years or when would that work on those acres actually be done?

Then the other question I wanted to ask was to the contractor. On biofuels, previously there was a company called Concord Blue that was talking about being involved in making biofuels and I'm wondering if they're still involved or if they're out of it at this point.

Roberta: OK, in regard to your first part of the question on the task orders, it depends on the complexity of the task order and the work being done. Some of them are as little as 18 months. It could be all the way up to two to three years for completion of each of the task orders. It does depend on each task order.

Mike: If I could, this is Mike Williams, Brandon. Three task orders from the Kaibab National Forest, I believe, were issued this week and my recollection was we have a two year term for each of those. It depends much on the size of the task order as well as any other complicating factors.

Jason: Thank you. With respect to Concord Blue, so Concord Blue is our JV partner on the primary technology for converting biomass into synthetic gas, so yes they still will be involved in the project from a biofuels perspective.

Katherine: Next question

Melanie: Please go ahead. State your name, affiliation, and your question.

Pete: This is Pete Aleshire at the Payson Roundup and I have two questions. One involves a large tree retention strategy. If you are not using a diameter cap then how are you dealing with the large tree issue and is the calculation of having larger trees to cut important in terms of the financial viability of the project? That's the first question.

The second question is for Jason and I wonder if you can give us any examples of some profitable projects in the U.S. that deal with either the finger-jointed furniture model or the biofuel production that you're anticipating.

Katherine: We appreciate your questions. Mike.

Mike: This is Mike Williams, Kaibab National Forest. The first part of your, or the first question that you had there around the large tree retention strategy. The focus of this project is to largely thin small diameter trees across this very large area of Northern Arizona, but it also focuses on creating openings and managing the canopy as it stands to be able to interrupt the fuels and thereby protect the landscape from large catastrophic fire.

As we've had conversations with the stakeholder group as we worked internally around preparing the prescription and thinking about what we need to do out there, there will be some cases where there will be a need to remove large trees, but very few in our estimation. A very tiny landscape would experience that. Most of the trees to be removed are going to be small diameter.

Jason: If I could just add then onto are large trees required to make the project financially viable? The answer is no. Then in terms of profitable projects in biofuels and finger joints in the United States, the United States is not really our core territory. I think it's better, if you have a follow up question, I'll put you in touch with our timber management company who reviewed five finger joint projects in the United States which are profitable. It's one of the key things that we did when reviewing the overall Pioneer business plan.

Katherine: Ready for our next question.

Melanie: Please go ahead. State your name, affiliation, and your question.

Katherine: Sounded like maybe we lost them. Can we go to the next person, Melanie?

Melanie: Yes, I believe they dropped from the call.

Katherine: Thank you.

Michael: This is Michael Taru.

Melanie: Please. Please go ahead.

Michael: Yeah, I publish Taru Talk. I have a question having to do with the timeline on the expected completion of the final environmental impact statement. I note on [4FRI 00:42:17], the USDA site on this that 4FRI timeline, I think 2014 for completion of the FEIS and the record of decision. How is that timing related to the ongoing work of the 4FRI contracts and the forest restoration that's already under play? What will change when that comes out or how are the two related?

Mike: Michael, this is Mike Williams Kaibab National Forest. Right now, excuse me, the initial task orders come from projects that already have environmental decisions

that have been made in previous years. The environmental impact statement for our large project here is on track. The draft is completed. We expect the final environmental impact statement, record of decision for that to be issued probably late next winter, early spring. All of the acres that are contained within that decision then will speed into succeeding task orders that come about through the remaining life of the contract.

Katherine: Thank you, Mike. Next question.

Melanie: Please go ahead. State your name, affiliation, and your question.

Jerry: Thank you. This is Jerry Nabours again, Flagstaff Mayor. My question for Jason is will some of the timber be sent partially processed overseas for the rest of the processing and perhaps use overseas?

Jason: Thank you, Mayor Nabours. Most likely, yes. We have a source overseas in the U.K. that we have as a back-up plan. Obviously, it's quite a long distance to send materials and so our preference would be to keep everything in the continent of the United States, however; we have a very large power source in the U.K. which will take a lot of product from us, so we have that as a back-up plan.

Katherine: Thank you, Jason. Next question.

Melanie: Please go ahead. State your name, affiliation, and question.

Harold: Hi, this is Harold Soehner, Council Member Winslow Arizona. First off I'd like to express appreciation to all the groups involved with the 4FRI project, the communities, the people, Pioneer Forest Products. Been a lot of work going on, and personally state that we're glad to see this moving forward and welcome, and look forward to working with Global Express. Specifically, do you have a time frame that we're looking at in the Winslow area as far as the mill being built and those processes beginning here?

Katherine: I'm sorry we had a phone ... the phone caught. Could you please state your name again? I'm sorry, sir.

Harold: Yes, sir. This is Harold Soehner from the city of Winslow, a council member.

Katherine: Thank you. We heard the question, we just wanted to make sure we captured your name.

Harold: OK, thank you.

Jason: Thank you very much, council member. The mill process is going through two phases. One is identifying an appropriate site and there's a number sites we've been reviewing. I know there's one that's been widely publicized. The second is we're investigating how we can get the mill up and running in the shortest possible time frame and there are two components to that. One is to look at mills and where we have mills that are in existence in Canada and other places in the United States to a lift and shift, which will allow us to rapidly get up at a basic capacity. Then the second is how we extend that into the full finger joint process.

Our expectations are that within, between three to six months we'll have finalized, we hope working with local and state officials, the site and all permissions. I think that's one of the things that I would ask the people in this room, and be willing to call who are in government to help us with because that's going to be a major hurdle that we'll need to get over. Then after that we can actually start construction.

Normally, to build one of these things it's going to take you 18-24 months at a minimum. What we're trying to do is shorten those time frames by doing this lift and shift operation, but we won't know until we actually finalize our investigations.

Katherine: Thank you. Next question.

Melanie: Please go ahead. State your name, affiliation, and question.

Daniel: Thank you. Daniel Patterson here again with Public Employees for Environmental Responsibility. Quick follow up for the Forest Service officials on my last question about transparency, and then I have another question to go on the end of that. I guess, I didn't hear anything about confirmation that the discussion of transferring the contract from Pioneer to Good Earth Power, did that ever go to the stakeholder meetings who was responsible for putting together Four Forest Restoration projects? I didn't hear that it did, so if I missed something please let me know.

We'd also like to know what evidence the Forest Service has that shows that conversion of trees to biofuel is economically viable especially in the American West and especially if there would be a focus on small trees, which has always been the heart of public support for 4FRI.

Katherine: Thank you for your question. One moment please. Roberta Buskirk will answer this question.

Roberta: I just, in regard to your question the sole responsibility involved on that decision for the novation agreement falls onto the Contracting Officer per Federal

Acquisition Regulations, so no they did not go to the stakeholders. It remains with the Contracting Officer and then, like I said, with the review process that went all the way through to the Washington office and then back again. This is due to the confidentiality that was provided to us based on their proposal. Like I said, it was based on the technical and financial capability and so that confidential part had to be kept within the Forest Service ring.

Now, for your second part of the question. Jason.

Jason: In terms of proof that biofuels works in the United States, again, we don't do biofuels in the United States, but we've got a number of power plants operating worldwide that you're welcome to look them up. As I said, it's been proven from conversion from power into, sorry from synthetic gas into biofuels on a small scale, and this is going to be the first large scale implementation. The project does not rely on the financial viability of creating biofuels, so for us it's a nice to have.

Katherine: Thank you. I'd like to take just a second to remind folks that if they do have a question to dial *1. The instructions are on PowerPoint that is on your screen. I'm noticing several hands still raised and I want to make sure that you know how to get in the queue so your question can be asked.

Melanie, we're ready for the next person in the queue.

Melanie: Please go ahead caller. State your name, affiliation, and question.

Michael: Yeah, I guess this question is for Marlin. I'm wondering if you can tell us whether Pioneer was able to make a profit or break even on this sale and what, in fact, was sold?

Marlin: OK, Pioneer did not make profit on this project yet because we've barely started. We've operated on one task order only and that was done at the hopefully near break-even point to get the project rolling.

Katherine: Next question.

Melanie: Please go ahead, and state your name, affiliation, and your question. Please go ahead caller. Your line is open. Please state your name, affiliation, and your question.

Laurel: Hi, can you hear me?

Melanie: Yes we can.

Laurel: OK. My name is Laurel Morales. I am a reporter with KJBZ and Fronteras the Changing America Desk and I was wondering if you could talk about your consultant, your, Good Earth Power's consultant in the Southwestern U.S. who's had experience with forest in the Southwestern U.S. and what that experience entails and how successful they've been?

Katherine: We appreciate your question. Jason.

Jason: Thank you very much, Laurel. I am still bound by confidentiality. We had to wait until a novation was finalized before I could actually finalize with them, but what I'll tell you is they do manage millions of acres across the United States. Of course we provided all that information to the Forestry Services part of the novation process, so they're well aware of who it is. They've met with them, so on and so forth and they're on the approved list of personnel.

Katherine: Thank you. Next question.

Melanie: Please go ahead caller. State your name, affiliation, and question.

Jim: Yes, Jim Peterson with Evergreen. A question for Jason. Do you have any idea when your biofuels plant might actually be up and running?

Katherine: Jason.

Jason: Subject to the caveats of permissions from government, it generally takes us six to nine months to actually build the power plant component, and it takes three to six months for each of the two following components that are add-ons. As soon as we can actually get permission to do things, then it takes one to two years to actually get all the permissions from various environmental agencies and other government agencies. Those are the timelines for construction, then before that actually can start, you know, who's to say? It's really going to be up to the government and government entities.

Katherine: Thank you. We're ready for the next question.

Melanie: Please go ahead. State your name, affiliation, and question.

Pete: This is Pete Aleshire again at the Payson Roundup and I'm asking a follow up question about the large tree retention strategy which seems to be kind of the point of bread down on some of the stakeholder group versus the Forest Services moving forward, so I'm wondering, and it was earlier stated there would be very few large trees, do you have any kind of an estimate as to how many that might be on some of the contracts you've done already?

Second of all, I know that the large scale of this requires the contractor to be sort of trained and do a lot of the marking of the trees for the cutting, and so I wonder if that's still part of this that the contractor will be making a lot of those decisions about applying the prescription? Finally, wondering whether there was any money to monitor the ecological effects after the fact as we, especially for some of the earlier projects, so I'm asking is there any money for monitoring of whether the prescription is working out the way we think it is.

Katherine: We appreciate your comments and your questions. Mike.

Mike: This is Mike Williams Kaibab National Forest again. I'm not sure I got all three of those things, Pete so we can come back to it if I miss one. You've come back to the large tree retention strategy and questions around that. I certainly want to acknowledge that we've had lively and vigorous discussions at our stakeholder meetings and certainly not everybody agrees about everything around the number and size of trees that would be harvested. The most direct answer I can give to your question is we do not know exactly how many larger trees we might be harvesting, but I'm absolutely certain that the majority of the trees we'll remove will be smaller diameter.

I think that your last question has to do with monitoring and we have developed, during the process of developing a monitoring plan as part of the environmental impact statement. I can't speak to the amount of funds that will be available except to confirm for you that there will be funds committed to monitoring the implementation of this project throughout the life of the project and beyond that.

Henry: Can I add to that?

Katherine: Sure.

Henry: Pete, this is Henry Provencio 4FRI Team Leader. Just real quick, I think Mike really explained that well. There was one component there that maybe we missed and that was the designation by prescription. For that, that was the notion that the folks operating the harvesting equipment would actually determine which trees are cut. You have to know that we are looking at all the tools in the toolbox whether that's our folks out there marking trees, whether that's contractors marking trees to our prescriptions, or whether it's an operator doing what we call designation by prescription. All of those have to get with a professional Forest Service [Horticulturist 00:57:01] writing prescriptions for each area in order to meet the desired conditions on the ground.

The oversight on that will be a Forest Service person on the ground at least daily, making sure that we are meeting our desired conditions for that piece of ground.

It is not up to the contractor solely to determine what trees are cut and what is left.

Mike: This is Mike again, and thanks Henry for that explanation. I want to come back to the monitoring comments I was making earlier. At this stretch, the purpose, one purpose of the monitoring that we'll do will be used to begin the process of adaptive management that we have committed to on this project here. The results on the ground of what's happening will be considered as we continue with the project and beyond if any adjustments in the prescriptions or the operations that we undertake there.

Katherine: Thank you both for those responses. We're ready for the next question.

Melanie: Please go ahead caller. State your name, affiliation, and your question.

Mike S: Hi, this is Mike Sistak with the Flagstaff Chamber of Commerce. My question is how did the Forest Service plan to facilitate and ensure that Good Earth Power can overall fulfill contractual obligations?

Katherine: Thank you, Mike. Roberta.

Roberta: The mechanism is the task orders and per the task orders it is the performance that measures what Good Earth is going to be doing on those task orders, and that's the removal of the wood from the ground. We will continually monitor then, their performance under those task orders [inaudible 00:58:57] performance.

Katherine: Thank you, Roberta. We're ready for the next question.

Melanie: Please go ahead caller. State your name, affiliation, and question.

Daniel: Thanks. One final question. This is Daniel Patterson with Public Employees for Environmental Responsibility and calling from Tucson. Since it appears the 4FRI is now turning into a conversion of trees into fuel, has the, and this is a question for the Forest Service, has the Forest Service yet analyzed or will the Forest Service analyze and disclose, presumably through NEEP or some other required legal process, the potential climate change impacts and CO2 emissions likely to come from this new focus on large scale conversion of trees to biofuels and then the burning of those biofuels? Can you let us know about the potential climate impacts of this and has it been looked at, will it be, and when will the public be informed?

Mike: This is Mike Williams and I can tell you that the environmental impact statement that we're preparing now that is a draft that's come out and certainly as we

incorporate comments into the final, does evaluate climate change effects and I believe that your questions will be addressed in that and considered in the final decision.

Cal: This is Cal Joyner, Regional Forester. The proposal as it currently stands with Good Earth Power AZ, LLC is basically the same proposal that was put out by Pioneer in terms of the componentry. The biofuels were one of the components that Pioneer had originally conceived. This is not all that different, so there's no need for a further ... there is no change.

Katherine: Thank you, gentlemen for your responses. Next question please.

Melanie: Please go ahead caller. State your name, affiliation, and question.

Male: Yeah, I wanted to ask a follow up question about the Republic question about timing of when things will happen. I think it was mentioned there's 15,000 acres that are going to be added and it seemed to me the answer was that it's going to take anywhere from six months to two years to actually do that work. I mean, at what point to we anticipate we're going to be on the 30,000 acres a year pace? It sounds like there's not much going on, actually getting cut this year. It sounds like maybe not much next year, so it sounds like the year after next. Is that when we're going to be on the 30,000 acres a year pace? Thank you.

Roberta: This is Roberta Buskirk. The end of this fiscal year we're expected to have the 15,000 acres of task orders issued and next fiscal year should be about 25,000 acres of task orders issued, and then that following year then we should be at the 30 to 35,000 acres of task orders issued.

Katherine: We have about five minutes left in our question and answer session, and so we're going to take a few more questions. Melanie, next question please.

Melanie: Please go ahead. State your name, affiliation, and your question.

Felicia: Hi, this is Felicia again at the Associated Press. I guess I wasn't clear again in Good Earth taking over Pioneer whether there was actually any ... whether you can talk about what the amount of the sale, that was and whether Good Earth was going to retain any of the employees from Pioneer.

Jason: Obviously we're a private company so that's private information. A fee was paid. In terms of retaining Pioneer employees, we will be retaining one of the Pioneer employees who has extensive on the ground experience here in the Southwest through a transition period and we're very excited to have Marlin Johnson remaining on board with us for a period of time.

Katherine: Thank you, Jason. Next question please.

Melanie: Please go ahead. State your name, affiliation, and question.

Mike S: Hi, this is Mike Sistik with the Flagstaff Chamber of Commerce again. I just wanted to ask a follow up question for the Forest Service on monitoring Good Earth. I mean if Good Earth for whatever reason seem to be falling behind, what is the Forest Service going to do to incentivize timely execution of the task orders?

Roberta: This is Robert Buskirk again. In regard to the contract and the Federal Acquisition Regulations then what would happen is if Good Earth were to fall behind is that then a cure notice goes out to the contractor asking them to cure why their performance is not where it's supposed to be. Then they have a period of time where they go in or they can come back to us to tell us how they're going to fix that process. Then at that point if they still continue to be behind performance, then we go into some type of a notice for default. That's everything in accordance with the Federal Acquisition Regulations and the terms and conditions.

Katherine: Thank you, Roberta. Those actually were really quick questions and answers, so we have time for one more and this will be the last question.

Melanie: Please go ahead. State your name, affiliation, and question.

Katherine: We may have lost that person, Melanie. Do you have anybody else in the queue?

Melanie: Harold Soehner can you hear us?

Harold: Yes, I don't have a further question I just couldn't get my hand raised to down, so no question here.

Katherine: OK. OK, thank you. Do we have any more questions in the queue?

Melanie: One more question. Please go ahead caller.

Brandon: Yeah, Brandon Loomis the Arizona Republic. This is just a follow up to a previous one. I think I understood Jason. I think that question was, about a few questions ago, about the mention that you've made of a larger forestry company that's going to be involved and I think that's what you were talking about when you said that you had some kind of confidentiality and couldn't discuss it. I'm wondering if the Forest Service can speak to that. If this has been signed, is that not public information who that is?

Katherine: Thank you.

Roberta: This is Roberta Buskirk again. For right now, no that still remains confidential until Good Earth Power Stations [inaudible 01:06:28] negotiations with this company.

Katherine: Thank you very much. At this point we would like to conclude this web conference and I'm going to turn it over to Melanie for the last few words.

Melanie: Thank you to all of our presenters and thank you all in the audience for joining us today. This does conclude the web conference. You may now disconnect.

#END#